

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03  
SP-02 LAB-04 SIL-01 OMB-01 L-03 AGRE-00 H-01  
PA-01 PRS-01 /059 W  
-----119005 122134Z /73  
R 121101Z AUG 77  
FM AMEMBASSY COLOMBO  
TO SECSTATE WASHDC 7911

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E.O. 11652: N/A  
TAGS: PGOV, EINV, CE

SUBJ: NATIONALIZED COMPANIES TO BE RETURNED TO OWNERS

1. BEGIN UNCLASSIFIED: ACCORDING TO PRESS REPORTS, FINANCE MINISTER RONNIE DE MEL SAID THAT FOUR COMPANIES WHICH HAD BEEN NATIONALIZED UNDER THE BUSINESS ACQUISITION ACT BY THE PREVIOUS GSL WILL BE RETURNED TO THEIR ORIGINAL OWNERS. THE COMPANIES ARE: RADAWANA DESICCATED COCONUT AND FIBER MILLS, LTD., NEW CERAMICS INDUSTRIES LTD., THE HOTEL DE BUHARI, AND THE KANDY WEAVING MILLS LTD. THE MINISTER STATED THAT THESE FOUR BUSINESSES "APPEARED TO HAVE BEEN ACQUIRED BY THE GOVERNMENT FOR MOTIVES OF PERSONAL AND POLITICAL REVENGE." HE ADDED THAT THE FINANCE MINISTRY HAD CALLED FOR A REPORT ON ALL COMPANIES TAKEN OVER UNDER THE BUSINESS ACQUISITION ACT, BUT SAID "IF A COMPANY HAS BEEN TAKEN OVER FOR AN OFFENSE LIKE FRAUD, FOREIGN EXCHANGE RACKETEERING, BLACKMARKETING, OR THE EXPLOITATION OF EITHER ITS EMPLOYEES OR THE CONSUMER, IT WILL NOT BE RETURNED." ABOUT 30 LOCAL FIRMS HAVE BEEN NATIONALIZED UNDER THE BUSINESS ACQUISITION ACT. END UNCLASSIFIED.

2. BEGIN LIMITED OFFICIAL USE. C.P. DE SILVA, THE NEW CHAIR-  
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MAN OF THE CEYLON CHAMBER OF COMMERCE, TOLD EMBOFF THAT THE RETURN OF THESE COMPANIES CAUGHT THE BUSINESS COMMUNITY BY SURPRISE. HE SAID THAT WHILE HE WAS HAPPY THAT THE NEW GOVERNMENT WAS PREPARED TO CORRECT PAST INJUSTICES, HE KNEW OF SEVERAL CASES (NOT THE ABOVE FOUR COMPANIES) WHERE THE PREVIOUS OWNERS OF NATIONALIZED FIRMS WOULD PREFER TO LET THE GOVERNMENT KEEP THEM. IN AT LEAST ONE INSTANCE, THE

EXPROPRIATED BUSINESS WAS LOSING MONEY, AND THE FORMER OWNER WOULD MUCH RATHER BY PAID COMPENSATION THAN HAVE THE COMPANY BACK. EVEN WITH FIRMS WHICH HAD BEEN PROFITABLE BEFORE THE TAKEOVER, DE SILVA SAID THAT AFTER SEVERAL YEARS OF GOVERNMENT MISMANAGEMENT, THE ASSETS WOULD BE SO DEPRECIATED AND THE LABOR FORCE SO UNUSED TO WORKING THAT COMPENSATION WAS TO BE PREFERRED. WHILE THE NEGOTIATIONS FOR COMPENSATION HAVE BEEN PROGRESSING VERY SLOWLY, DE SILVA FELT THAT THE PREVIOUS GOVERNMENT DID INTEND EVENTUALLY TO PAY. HE WAS HOPEFUL THAT THE NEW GOVERNMENT WOULD BE EVEN MORE DISPOSED TO PROVIDE COMPENSATION.

PERKINS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** GOVERNMENT REFORM, NATIONALIZATION, BUSINESS FIRMS  
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**Decaption Note:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
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**Disposition Reason:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Original Handling Restrictions:** n/a  
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**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009